

Major Trends and Issues in Forests and Forestry: Globally and in Russia

Jim Ford, Alexander Sheingauz

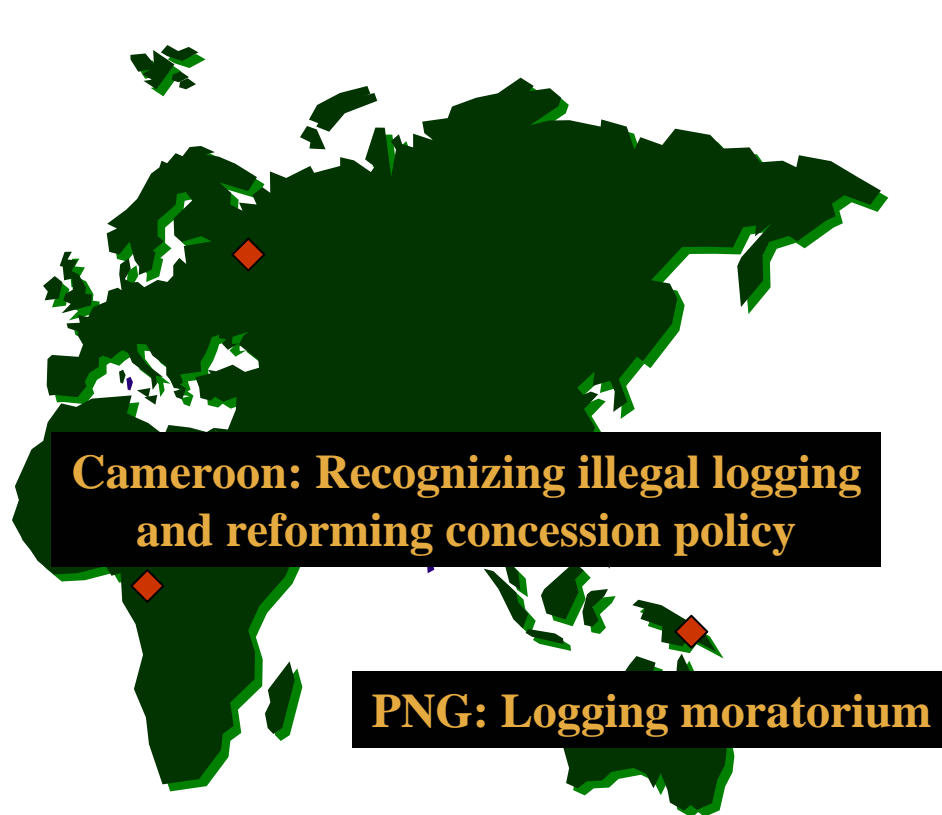
Forest Trends, Economic Research Institute

Yuzhno-Sakhalinsk, Russia

2001 Conference



Major Conflicts and Debates Underway: Globally



Forests and forestry

in transition



Organization of this Presentation:

What's driving these conflicts and debates?

What are the major global trends in the forest sector?

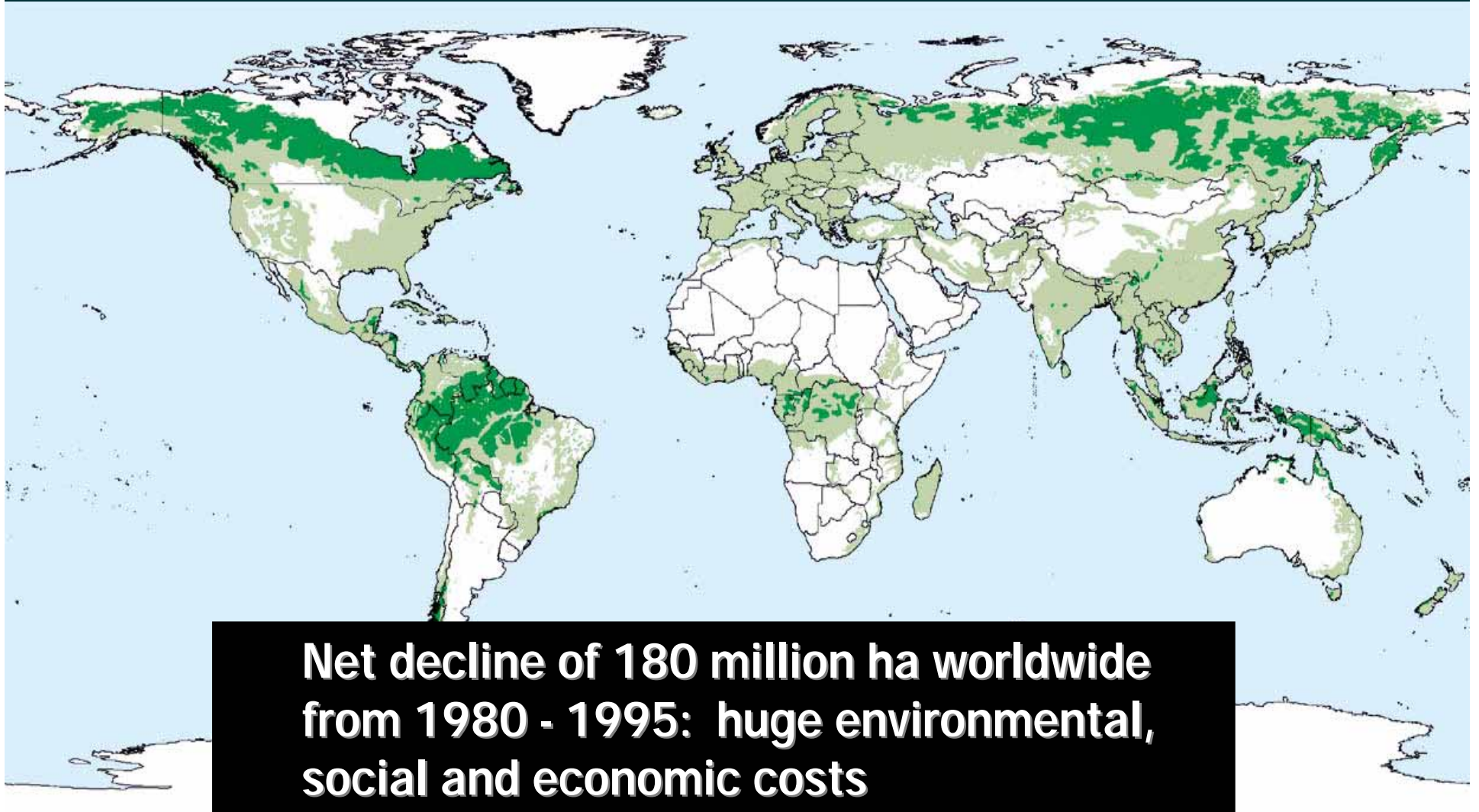
What are the major trends and issues in the Russian Far East?



What's Driving the Conflicts and Debates?



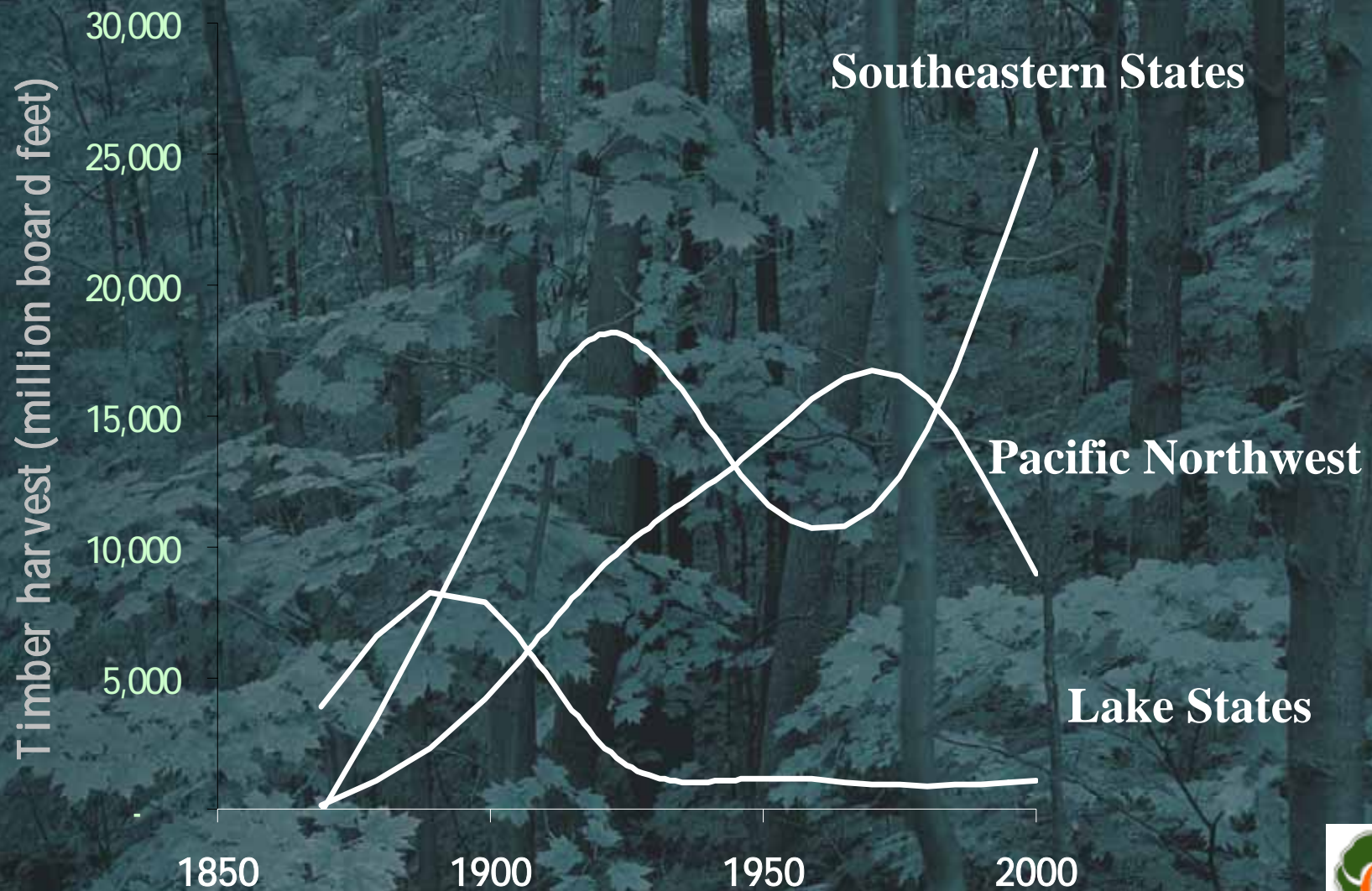
Deforestation and Forest Degradation



Frontier forest 8,000 years ago

Frontier forest today

Over-harvesting: Boom and Bust Cycle of Development , US Example



Source: Thomas Power



Social Consequences: Loss of Jobs in Industry



Source: Thomas Power



Corruption and Illegal Logging in Public Forests

- **Cambodia:** Over 70% of export volume of “unreported” logs in 1997.
- **Cameroon:** Only 50% of companies have documented logging rights.
- **Russia:** Estimated 25% of all logging is illegal.
- **Indonesia:** Estimated 75% of all logging and exports are illegal.
- **Burma:** Widespread and rampant illegal logging.

US \$ 10 - 15 Billions of lost government income; public forests devastated, reduced incentive to invest in sustainable forestry



Increasing Power of Civil Society and Communities

- Exposing illegal logging and corruption
- Boycotts, market campaigns
- Monitoring forest cover, forest practice, trade
- Participating in forest policy and planning
- Claiming recognition of traditional rights

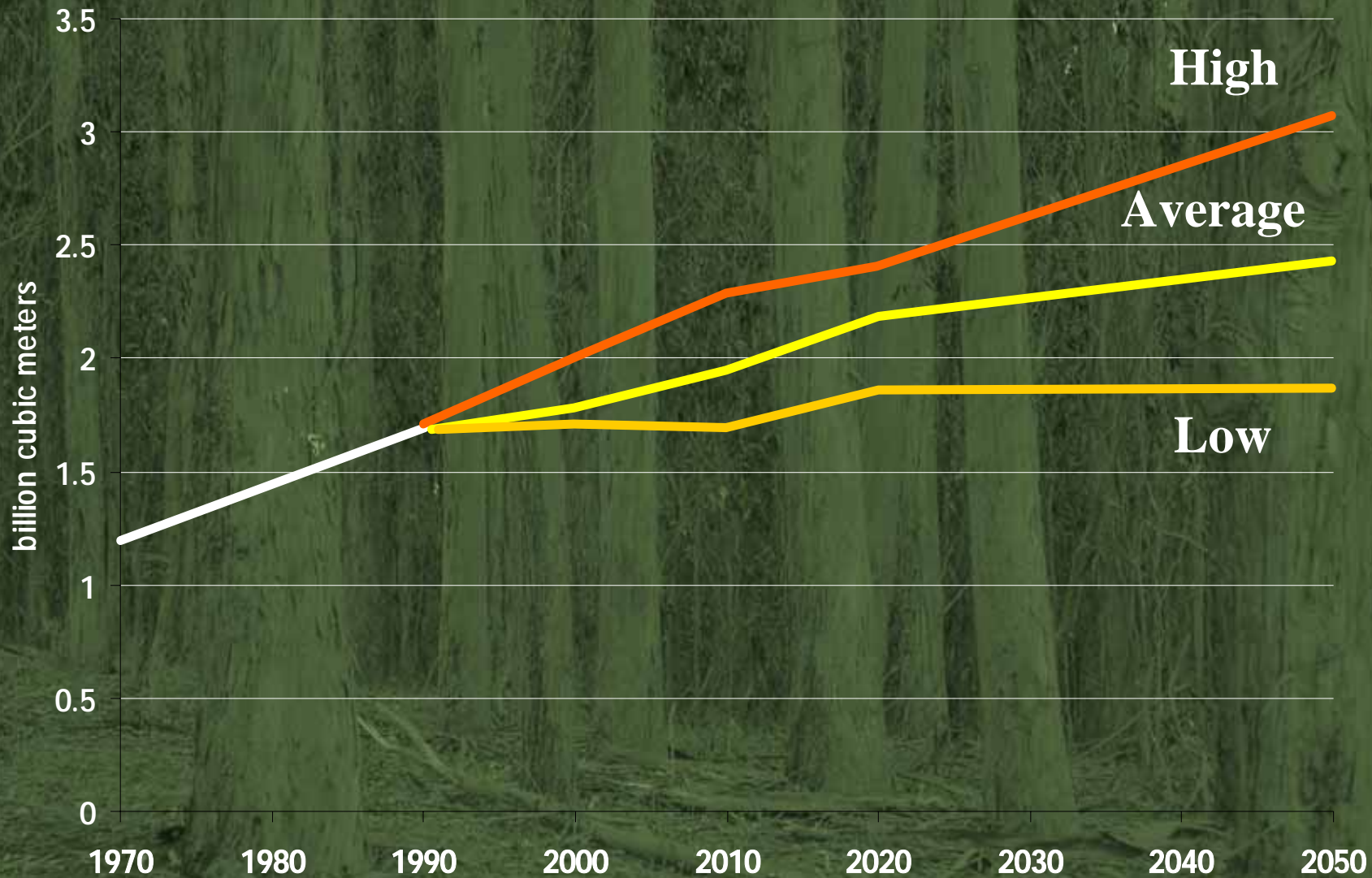
*Advancing transparency and accountability,
requiring a “social license” to operate*



Looking Forward: Global Trends in The Forest Sector



Continued Growth in Roundwood Demand



Source: Weiner and Victor, 2000



Declining Commodity Prices

The Economist industrial commodity-price index, in real* \$ terms



Since 1997, average return on capital
in the forest product industry is 4.1%

* Adjusted by US GDP deflator



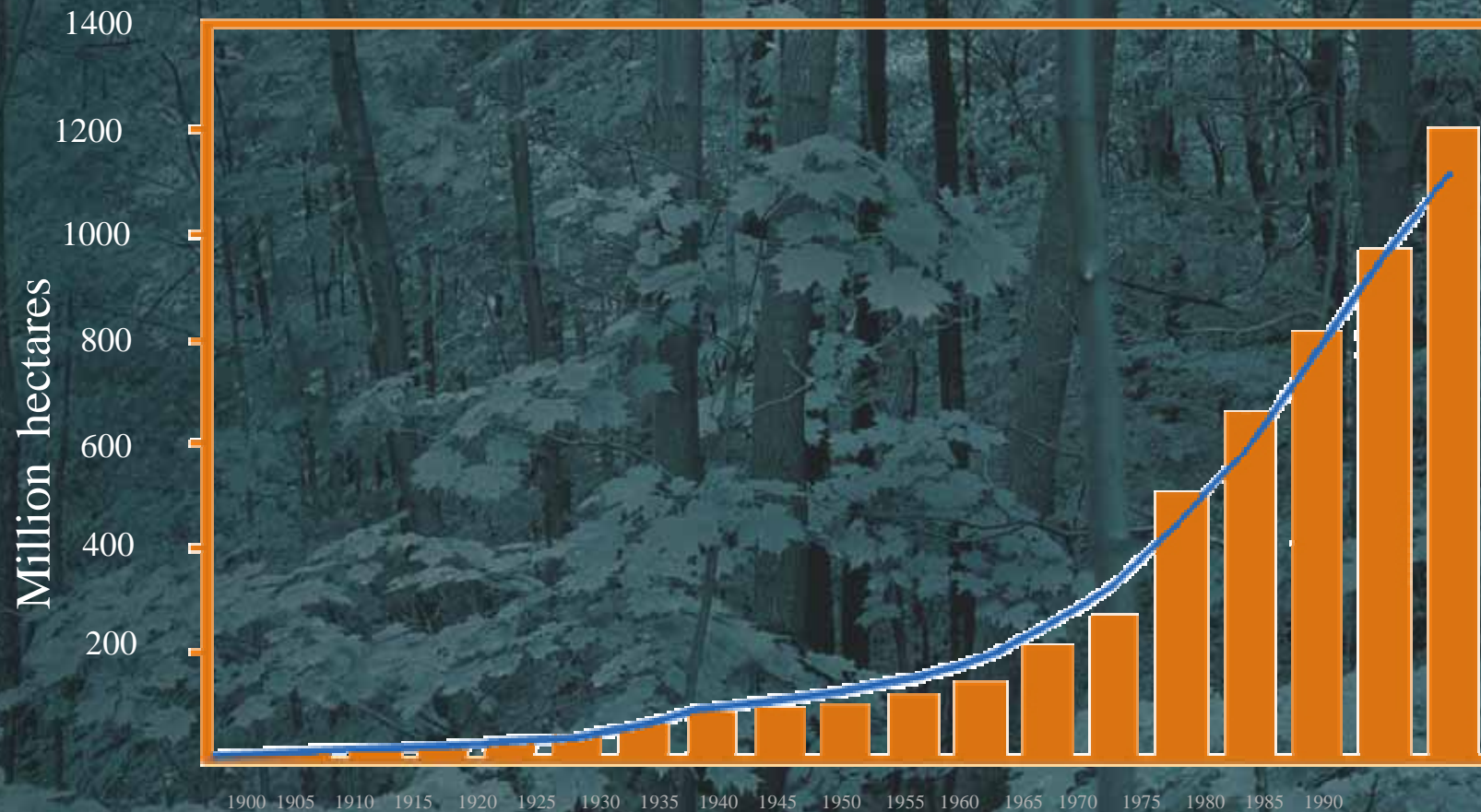
Changing Forest Industry

- Pulp and paper:
 - *consolidation*
 - *increasingly* efficient and competitive
 - *increasing* investment in plantations, from “North” to “South”
 - *increasing* use of smaller, lower quality wood.
- Timber/ Lumber:
 - *Decreasing* resources
 - some *experimentation* with sustainable natural forest management.

Growing distinction between socially responsible
and bad actors



Increase in protected areas (1900 - 1990)



Cumulative growth of the world's protected areas

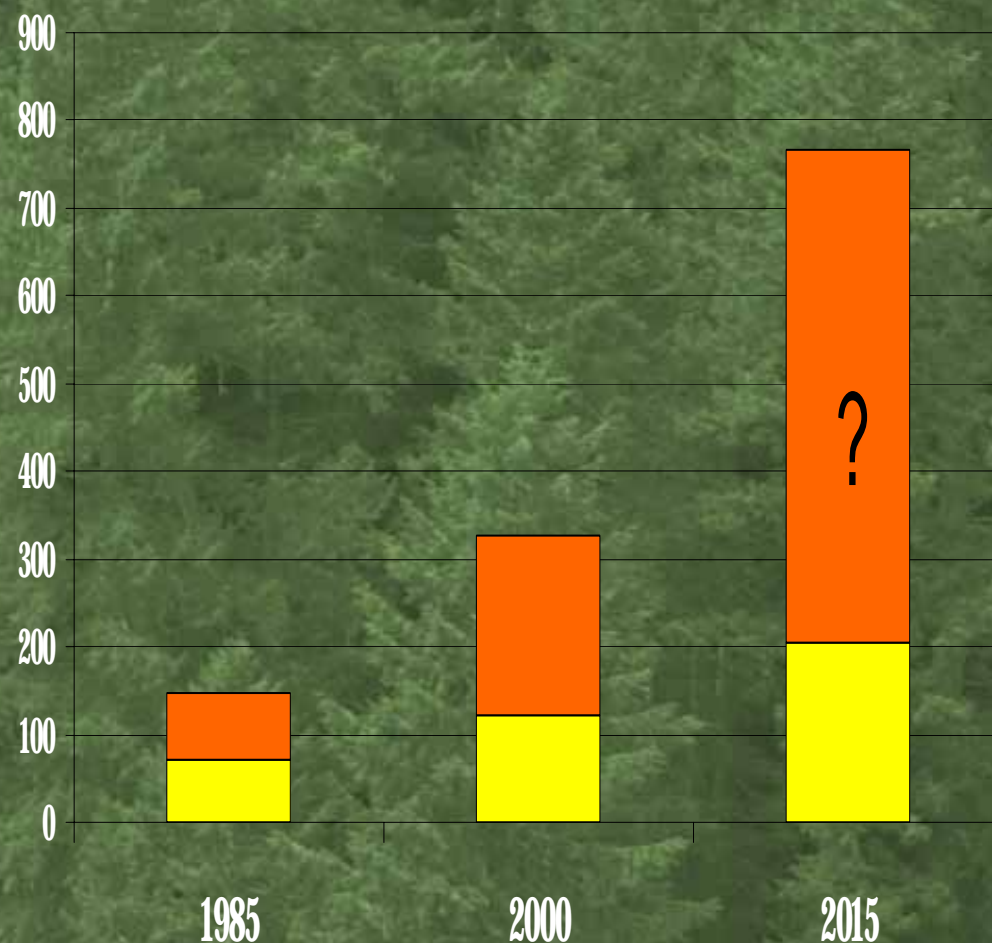
Source: IUCN (1998)



Shift Towards Community Ownership and Reserves

- Public: 79 %
- Communities and indigenous groups: 11 %
- Private: 10%

Community ownership and access more than doubled in last 15 years, and can be expected to do the same in next 15 years.



Paying for Environmental Services

- ✕ Watershed protection:

- ✕ New York City: improved water quality

- ✕ Quito, Ecuador: improved quality and quantity

- ✕ Costa Rica and Colombia: reduce sedimentation in hydroelectric reservoirs

- ✕ Biodiversity protection

- ✕ Costa Rica: gas tax to pay for natural forest conservation

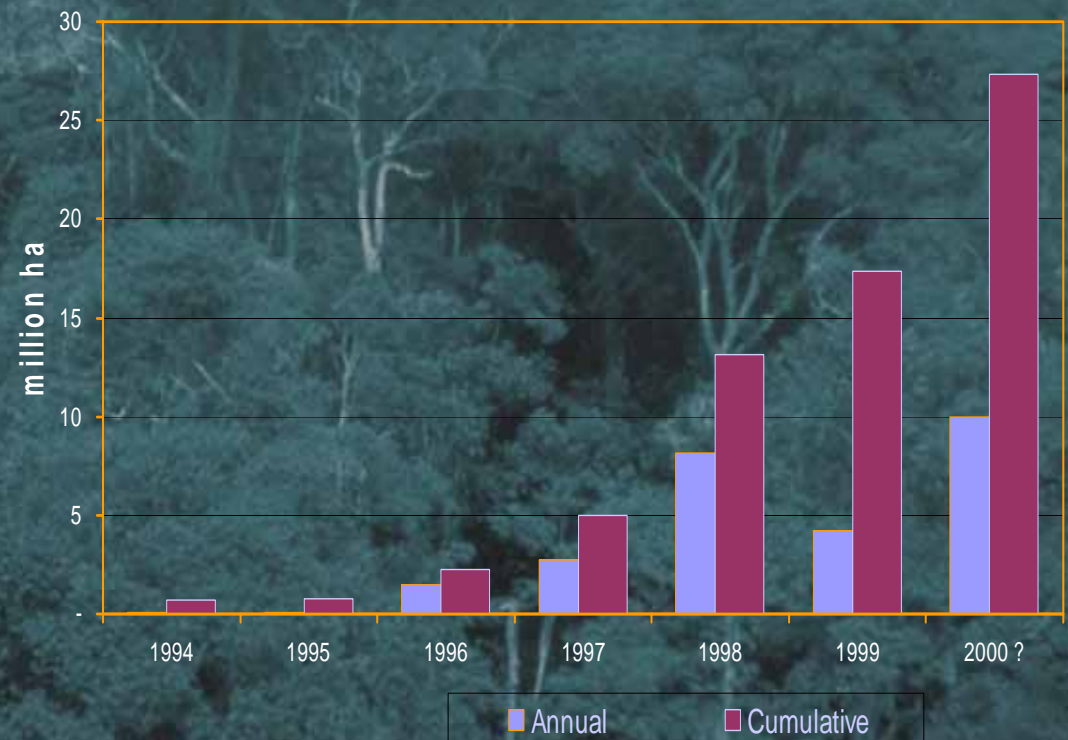
- ✕ Brazil: value-added tax to pay for natural forest conservation



Investing in Certified Production

- A growing, global phenomenon
- Driven by retailers: supply about 50% of US market.
- Buyers groups in 17 countries; producer groups in 4 countries.
- 9 Chain of Custody certifications in China, 6 additional underway.

Growth of certified forest area

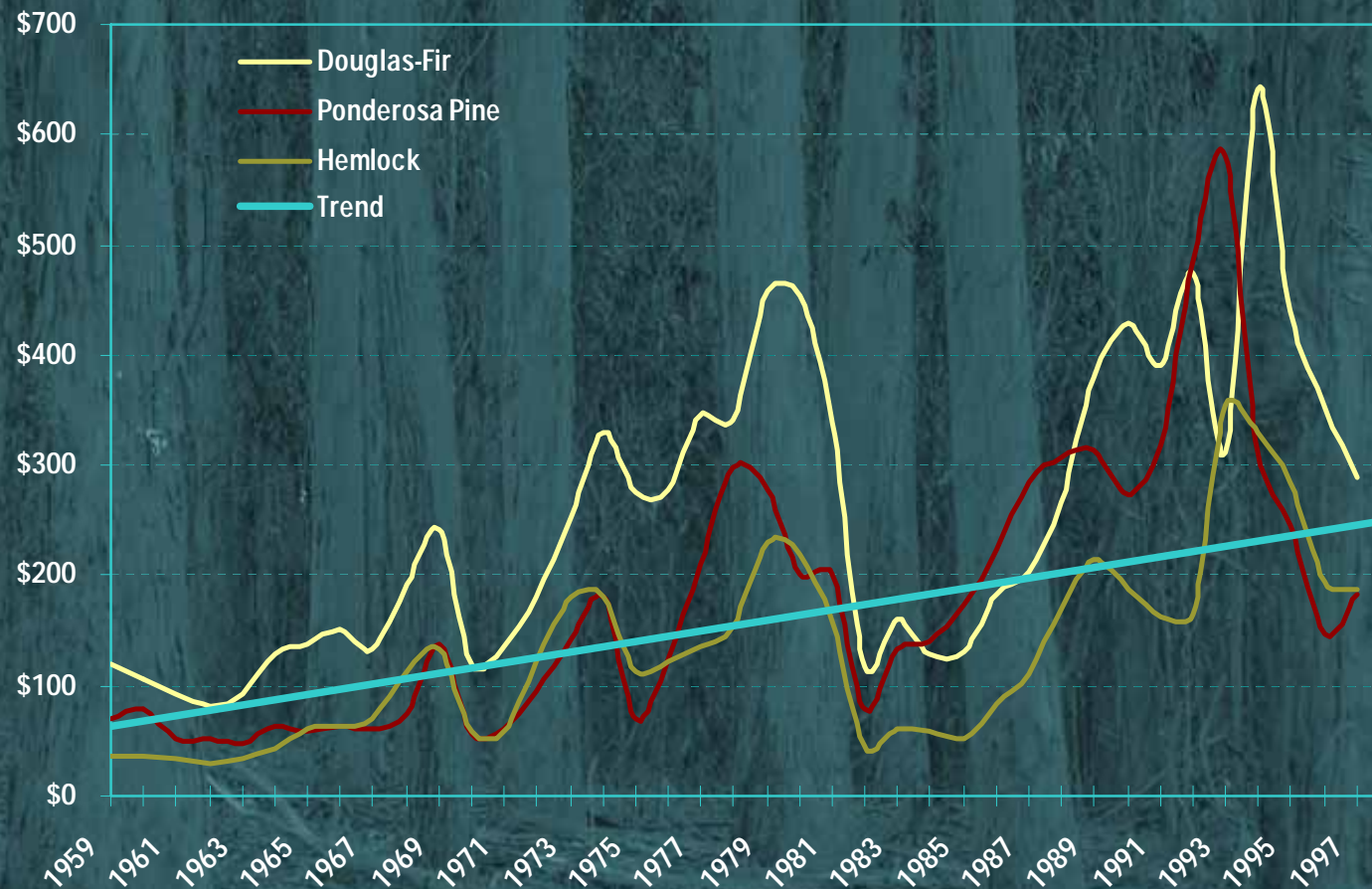


Annual and cumulative FSC certified area



Investing in Natural Forests

Real value of stumpage increasing by 2.15% per annum



Timberland: 9% return since 1960

Source: USDA Forest Service



Which Way Forward with Natural Forests?

To meet future demand of 3.0 billion m³, 2 options:

1. Mining: double extent of industrial logging, shift to plantations, collapse of local, regional economies

2. Sustainable Management:

- 40% protected
- 40% community/indigenous
- 17% secondary forest
- 3% plantations

But: achieving management requires: policy and property reform, new investment, and new ways of managing the forest

Source: John Spears, 2000

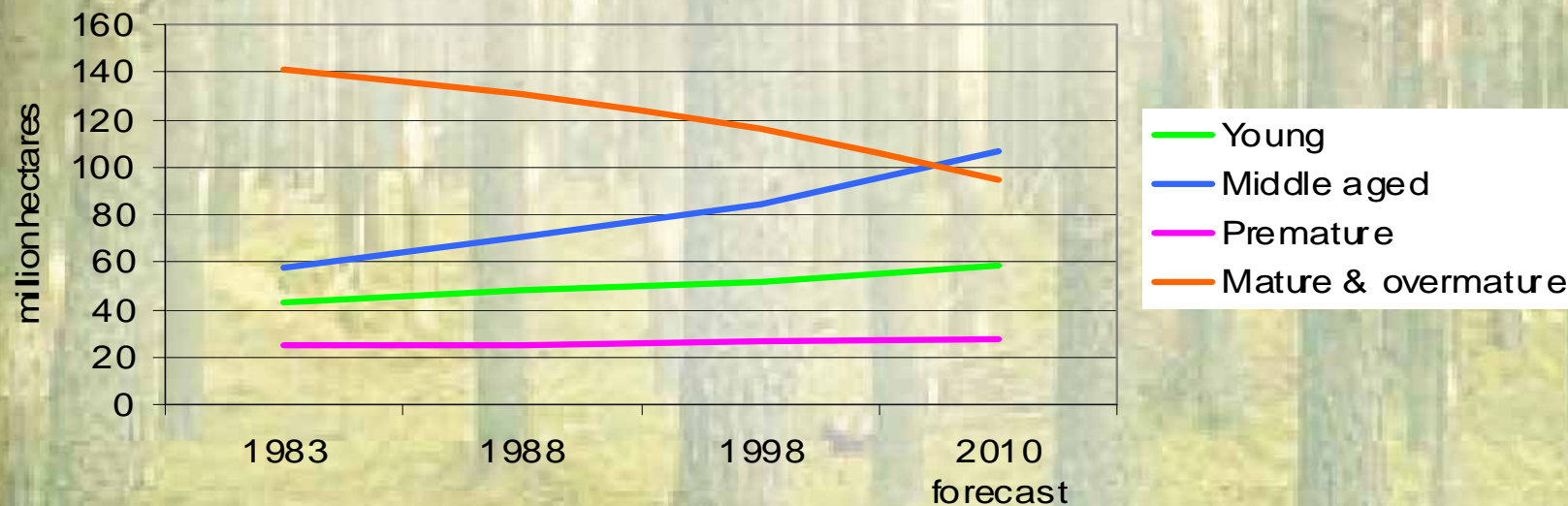


Major Trends and Issues in the Russian Far East



In contrast with world deforestation: Russian Far East reported increasing forest area.

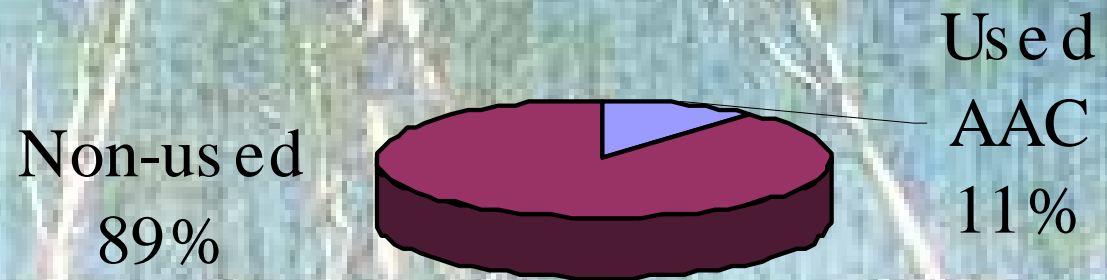
Age Structure of Density Forests in the RFE



However: forest quality is decreasing, a result of overharvesting and high-grading.

- * There is big gap between AAC and harvesting.

AAC Utilization in RFE, 2000



- * However there is "hidden over-cutting" as result of selective high-grade cutting.
- * Implementation of such methods makes all harvesting illegal.

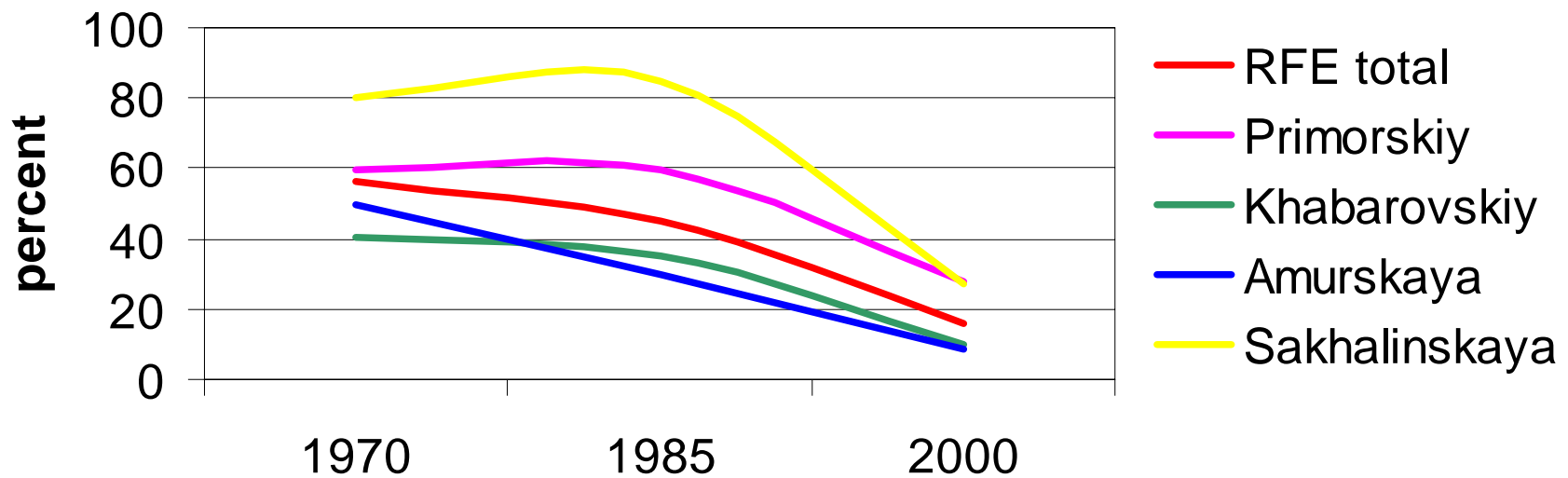


One of the main conflicts:

- Separation of population and forest managing after the October Revolution in 1917;
- as a result - indifference of the most people to forest problems especially forest conservation.

In contrast to world trends, local wood processing is declining.

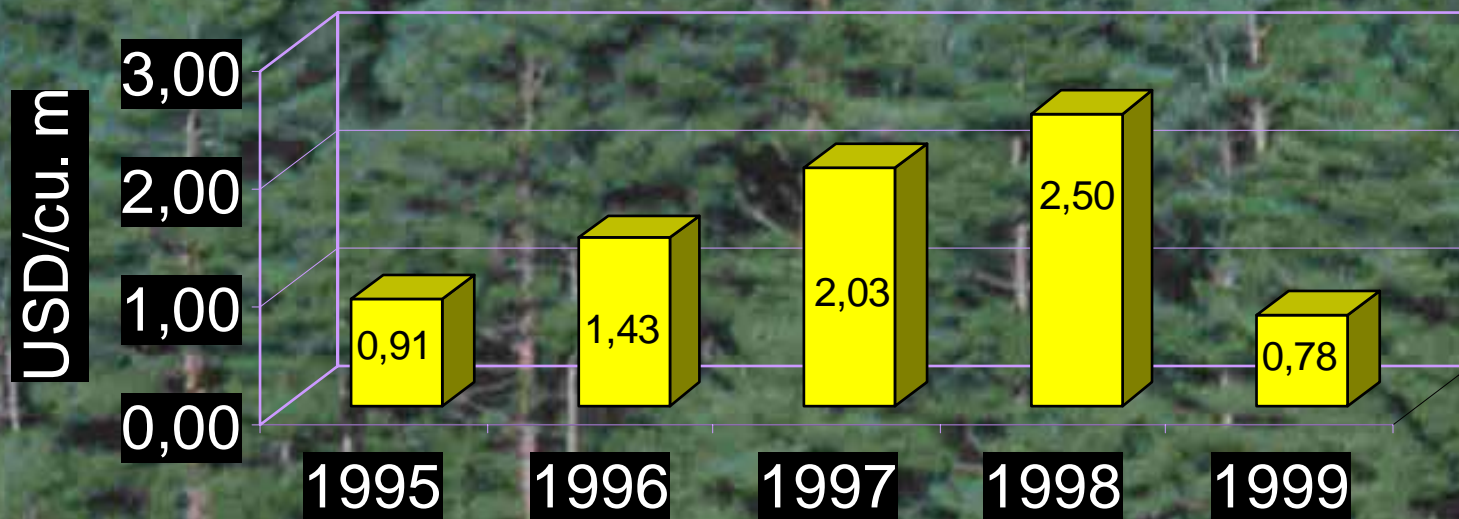
Degree of wood processing




This decline is main driver of high grading.

No incentive to use forest resources sparingly because they are very cheap

Average stumpage fee, example of Khabarovskiy krai





In the RFE and other heavy forested Russian regions there are many other conflicts:

- **Big forest fire area versus limited possibility for their control;**
- **State centralization of forest ownership and management versus lack of rights of local authorities and private owners shapes forest use;**
- **Domination of export markets versus decline of domestic market;**
- **High degree of corruption;**
- **Lack of information openness;**
- **Retention of old (Soviet) mentality and managing behavior;**
etc.

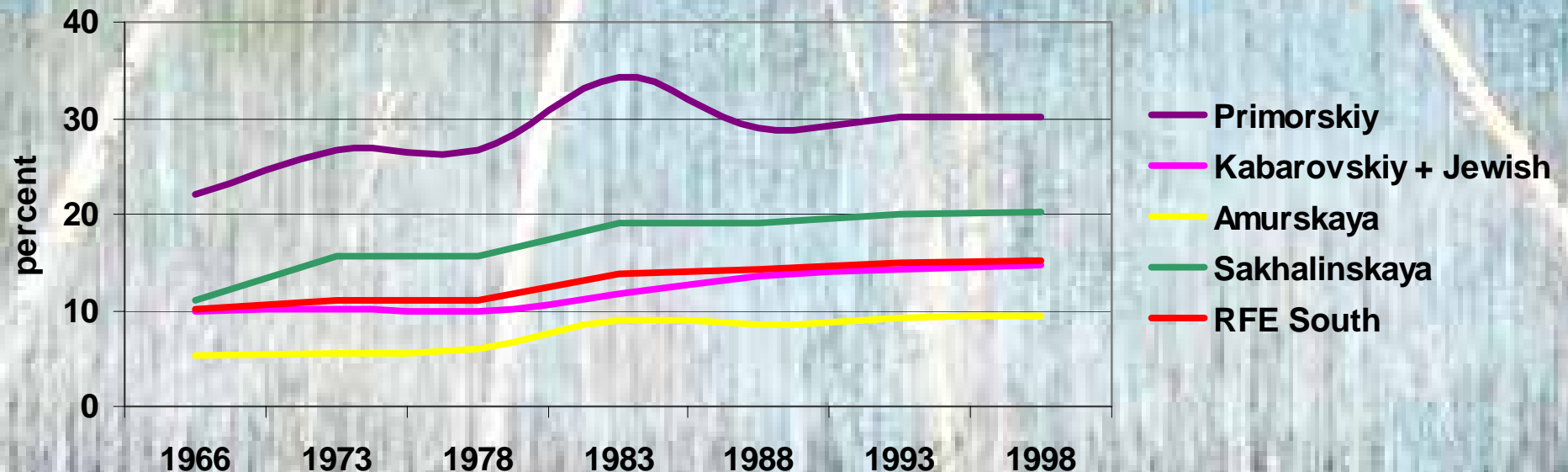
All of these makes forest use improper, depletable

Does it mean that there are only bad trends?

No, there is some good news.

1. Continually increasing share of protected area (1st group forests and reserves) reflecting appreciation of the ecological role of forests

Share of the protected area in the forest land use





2. Voluntary certification is beginning in the Asiatic part of Russia including RFE

Taking into account close linkage with international market, voluntary certification can play crucial role to shift to sustainable forest management



But this is insufficient.

A shift to sustainable management requires:

- * Strong political will and effective implementation of a proper forest policy;**
- * Improvement of common economic situation including attracting new investment;**
- * Catalyzing civil society: increasing social awareness and popular participation in forest management.**

These conditions don't currently exist and achieving them requires our joint effort.